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**FORT GARRY TRUST**  
COMPANY

ANNUAL REPORT 1971

*Corp Reps*



KEN L. CUTTS  
PRESIDENT

FORT GARRY TRUST COMPANY  
283 PORTAGE AVE.  
WINNIPEG 2, MAN.

BUS. PHONE 947-1667  
RES. PHONE 489-3839









## DIRECTORS

Evan J. Bullock

Kenneth L. Cutts

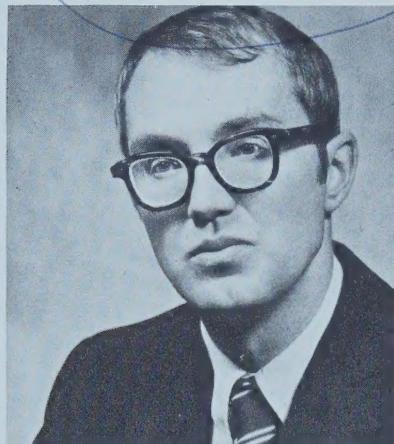
Gordon H. Hollands

J. Kent MacKinlay, B.A., LL.B., F.C.B.A.

Cecil S. Walker



Kenneth L. Cutts  
President & Director  
Winnipeg



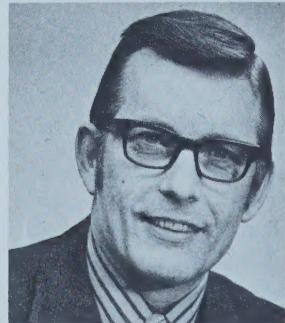
J. Kent MacKinlay, B.A., LL.B., F.C.B.A.  
Executive Vice President & Director  
Winnipeg



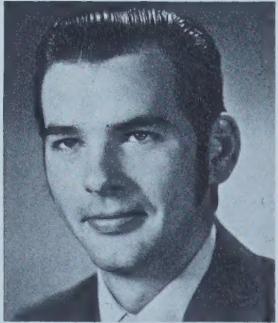
Cecil S. Walker  
Vice President & Director  
Vancouver



Evan J. Bullock  
Director  
Calgary



Gordon H. Hollands  
Secretary, Assistant Vice President & Director  
Winnipeg



Robert Hamaberg  
Controller  
Winnipeg

## OFFICERS

Kenneth L. Cutts  
President

J. Kent MacKinlay, B.A., LL.B., F.C.B.A.  
Executive Vice President

Cecil S. Walker  
Vice President

Gordon H. Hollands  
Assistant Vice President & Secretary

Robert Hamaberg  
Controller

**Auditors:** Price Waterhouse & Co.

# PRESIDENT'S REPORT TO SHAREHOLDERS

I am pleased to report that your Company's earnings increased dramatically during 1971. Net profits of \$209,588 before extraordinary income of \$8,670 represent an increase of 286% over 1970.

On a per share basis, even after taking into account an increase of 34,500 in issued shares, we show earnings up from 36¢ per share to \$1.20. The accumulated deficit of \$276,688 when present management assumed control in 1968 has now been eliminated, and the Company showed retained earnings surplus of \$53,022, after the establishment of a general reserve of \$30,000.

## INTEREST MARGINS

In reviewing the earnings growth this past year, by far the largest factor was the increase on our interest spreads — i.e. the margin between interest earned and interest paid. This area recorded an increase of \$176,402 or 12% on the year and our net interest yield on deposits increased from 1.66% in 1970 to 2.45% in 1971. Income other than interest was relatively constant in comparison to the good levels attained in 1970, although the sources of this income were different, as the Company continued to react to changing opportunities and to innovate to develop other sources of income. The rise in overhead costs was satisfactorily contained.

This improvement in margins was common to the trust industry this past year and it denotes a particularly healthy position. However, it is important to emphasize that this is a direct reflection of interest rate structures in the economy at large. Our industry is very sensitive to interest rate changes — declining rates tend to improve profit margins and vice versa. Throughout 1971 interest rates showed a sharp downward trend.

We do not anticipate this downward trend in rates will continue through 1972. On the contrary, we expect a slight upwards movement to develop later in the year, and a consequent narrowing in our own interest spreads. We believe, however that 1972 will be a satisfactory year for the Company.



## DEPOSITS

Aside from the increase in net earnings, the Company's position has improved materially in other significant but less obvious areas over the past year. The expansion of our capital base mentioned in our previous annual report has now been completed to the extent of \$445,000, and all outstanding subscriptions have been paid.

In addition, during the past year, the regulatory authorities approved an increase in the Company's borrowing ratios. It is important to note that until these two matters had been resolved, the Company was forced to curtail its deposit growth and, therefore, its asset growth. The completion of these matters came too late in the year to have a significant impact in 1971, and the Company's rate of growth in terms of assets and deposits is well below what we could normally expect. The substantial profit performance recorded is all the more encouraging in view of the absence of volume increases.

Therefore, the Company is now in a position to resume its aggressive asset and deposit growth. With this in mind your Directors are now giving consideration to the possibility of opening additional branches, and we have resumed our advertising program which virtually ceased while deposit growth was under restriction.

While deposits in total showed a relatively low rate of growth, there was a significant continued improvement in our deposit mix. Our lower cost trust deposits, as opposed to our higher interest bearing guaranteed investment certificates, showed an increase of 27% on the year, and represent 46% of all deposits (39% at December 31, 1970). We are fortunate to have as favourable a deposit mix as we do, and this is an important reason for the improved interest spread referred to above. Continued improvement in this area has been and will continue to be a main thrust in your Company's marketing policies.

## ASSOCIATED VENTURES

In assessing the progress of the Company, it is important to note that we have an equity interest in two associated ventures, the values of which in neither case are reflected in the financial statements as the Company's cash investment in each is nominal only. We refer to St. Norbert Nursing Homes Ltd. and Bestlands Development Ltd. Both Companies have grown to the point where they represent important asset holdings in our Company. We own 47.5% of the shares of St. Norbert Nursing Homes Ltd., which operates a new full service, 91 bed nursing home in St. Norbert, Manitoba. The home opened in April of 1971 and is now generating profits.

We also own 50% of the shares of Bestlands Development Ltd., a land development and specialized construction company. This company currently has under construction two limited dividend rental projects in suburban Winnipeg, comprising 67 townhouse units in total. Both are being financed directly by Central Mortgage and Housing Corporation under section 15 of the National Housing Act. Bestlands also owns a parcel of land at the corner of Smith and York Streets in downtown Winnipeg, where a 23 storey, 216 suite highrise apartment building is now under construction.

## FUTURE GROWTH

Looking beyond the current year, your Directors intend to see that Fort Garry Trust becomes a much larger entity. The Canadian trust industry, in recent years, has witnessed a trend towards merger with resultant fewer competitors. The advantages of economies of scale are forceful in our industry and maximum operating efficiencies can only be achieved if we increase our volume considerably above its current levels.

The growth we have in mind will involve the opening of new branches, to attract new deposits and new customers. It will require that the Company grow horizontally and offer an increasingly

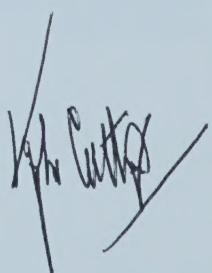
diversified range of financing and trust services.

It will also likely require that your Company expand its capital base in future years. We must attract new shareholders and join forces with all shareholders in promoting our services. We are cognizant that our dividend policy will have an important bearing in this area and we will need to choose a course which allows us to retain a growing capital base yet offers an adequate cash return for old and new shareholders.

In surveying the results of the past four years, we can derive much satisfaction in the Company's progress and we wish to pay tribute to our employees for their contribution to the attainment of our results to this point. We also wish to express our appreciation to our shareholders for their loyalty, and trust that they are as pleased as we are with the Company's progress.

In conclusion, I wish to point out that competition from the banks and others in the financial community will increase. The Bank Act is due for revision in 1977 and it may be that banks will then seek an enlargement of their powers to permit them to enter the fiduciary field. The industry will be subject to increasing costs, particularly in the areas of labour and automation. The industry's external business climate will undergo wide transformations over the next few years, and government policies and foreign trade patterns will have a very major effect on this climate. All of these factors will bring new opportunities, but also important new problems and uncertainties. With this in mind, the Company's planning is taking on an increasingly long range aspect.

March 7th, 1972



# FORT GARRY TRUST

COMPANY

## BALANCE SHEET (NOTE 1)

As At December 31st, 1971

### ASSETS

	1971	1970
Cash and bank deposit receipt.....	\$ 1,270,899	\$ 178,290
Bonds and stocks, market value \$2,706,600 (Note 2).....	3,357,628	4,162,279
Mortgages (Notes 3, 4, 5 and 6) .....	14,252,420	12,771,820
Loans – partially secured (less allowance for doubtful accounts of \$30,986; 1970 – \$17,249) .....	241,893	317,272
Accrued interest receivable .....	201,767	252,050
Stock subscriptions receivable.....	–	280,000
Real estate and other fixed assets, at cost less accumulated depreciation (1971 – \$105,297; 1970 – \$95,236) (Note 4) .....	239,042	210,248
Other assets (less allowance for doubtful accounts of \$20,000; 1970 – \$20,000) .....	65,056	105,167
	<hr/> <u>\$19,628,705</u>	<hr/> <u>\$18,277,126</u>
Estates, trusts and agency loans under administration: Cash, securities and other assets, at market or clients' values .....	<u>\$ 2,347,499</u>	<u>\$ 1,192,177</u>

(The accompanying notes are a



## LIABILITIES

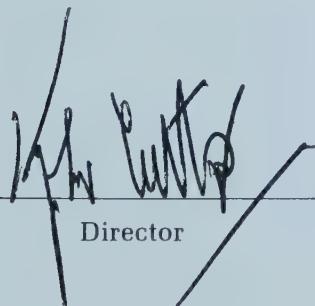
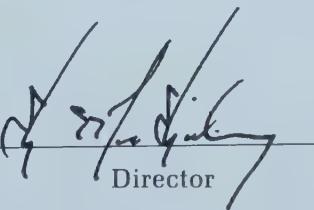
	1971	1970
Guaranteed liabilities:		
Trust deposits.....	\$ 7,791,573	\$ 6,153,424
Guaranteed investment certificates.....	9,017,686	9,375,780
Accrued interest.....	206,670	242,057
	<hr/> 17,015,929	<hr/> 15,771,261
Bank loan secured.....	500,000	701,194
Accounts payable and accrued.....	72,254	47,407
Contingent liability (Note 7).....	<u>\$273,055</u>	
	<hr/> 17,588,183	<hr/> 16,519,862

## SHAREHOLDERS' EQUITY

Capital stock (Note 5):		
Authorized – 300,000 common shares each of a par value of \$10		
Issued and fully paid – 195,750 shares.....	1,957,500	1,612,500
Subscribed and unissued (1970 – 28,000 shares).....	–	280,000
Mortgage and investment reserve.....	30,000	–
Retained earnings (deficit).....	53,022	(135,236)
	<hr/> 2,040,522	<hr/> 1,757,264

## APPROVED BY THE BOARD:

\$19,628,705      \$18,277,126



  
 Director      Director

**STATEMENT OF INCOME AND EXPENSE AND RETAINED EARNINGS**

Year ended December 31st, 1971

**INCOME:**

	<b>1971</b>	<b>1970</b>
Income from securities . . . . .	\$ 235,126	\$ 230,894
Income from mortgages . . . . .	1,402,906	1,230,736
Other operating income . . . . .	74,046	153,596
Gain (loss) on sale of securities . . . . .	8,520	(3,650)
	<hr/> 1,720,598	<hr/> 1,611,576

**EXPENSE:**

Interest . . . . .	1,070,818	1,151,173
Salaries and employee benefits . . . . .	153,238	140,094
Remuneration of officers and directors . . . . .	69,905	48,617
Allowance for doubtful accounts . . . . .	19,364	31,823
General and administrative . . . . .	125,851	112,652
Depreciation (Note 4) . . . . .	11,302	12,390
Amortization of leasehold improvements . . . . .	7,372	9,208
Premises, net of rental payments received from sub-leases . . . . .	53,160	51,303
	<hr/> 1,511,010	<hr/> 1,557,260
Net income before extraordinary item . . . . .	209,588	54,316
Extraordinary item (Note 4) . . . . .	8,670	—
Net income for the year . . . . .	<hr/> \$ 218,258	<hr/> \$ 54,316

**RETAINED EARNINGS**

Deficit at beginning of year . . . . .	135,236	189,552
	83,022	(135,236)
Transfer to mortgage and investment reserve . . . . .	(30,000)	—
Retained earnings (deficit) at end of year . . . . .	<hr/> \$ 53,022	<hr/> \$ (135,236)
Net income per share (Note 8) . . . . .	<hr/> \$ 1.20	<hr/> \$ .36

(The accompanying notes are an integral part of the financial statements)

## NOTES TO FINANCIAL STATEMENTS

December 31st, 1971

### 1. Provisions of The Companies Act of the Province of Manitoba:

As at December 31, 1971 loans and investments in stocks exceed the maximum permitted under Section 280(1) of the Act by approximately \$75,000 (1970 - \$170,000). This deficiency was reduced by approximately \$55,000 in January 1972 before giving effect to the post balance sheet transaction discussed in Note 7.

### 2. Securities:

Bonds and stocks are stated at amortized cost. These values and the market values quoted by the Department of Insurance of Canada are:

	1971	1970
	Stated Value	Market Value
Government and government guaranteed bonds . . . . .	\$2,042,989	\$1,725,950
Municipal and corporate bonds . . . . .	958,005	813,850
Stocks . . . . .	356,634	166,800
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	\$3,357,628	\$2,706,600
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	\$2,471,451	\$1,910,350
	1,133,673	888,786
	557,155	369,490
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	\$4,162,279	\$3,168,626

No provision has been made for the decline in the market value of these securities because the Company intends to hold the bonds until maturity or until circumstances are appropriate for their disposal.

Certain bonds have been assigned to fully secure the Company's bank loan.

### 3. Mortgages:

Mortgages are stated at unpaid principal balances less net unamortized premiums and discounts.

### 4. Changes in the application of accounting principles:

(a) Prior to 1971, with the approval of the Department of Insurance of Canada, the Company followed the practice of taking certain discounts on mortgages purchased into income at the time of mortgage acquisition. Effective January 1, 1971, on the direction of the Department, this procedure was changed to a policy of amortizing such discounts over the term of the mortgages in accordance with rules prescribed by the Department.

If the Company had continued the policy of recognizing the income from these discounts in the year of mortgage acquisition the income reported for 1971 would be \$78,959 greater and mortgage balances would be increased by a corresponding amount.

(b) During 1971 the Company changed its policy of providing depreciation on office equipment from 15% to 10% per annum calculated on the straight-line method. This change resulted in a decrease in accumulated depreciation of prior years in the amount of \$8,670. This amount is shown as an extraordinary item in the income statement. If depreciation on this equipment had continued to be provided at 15% per annum the reported income for the year, before the extraordinary items, would be \$1,445 less.

### 5. Capital stock:

(a) During the year the Company issued 34,500 shares of capital stock for a cash consideration of \$345,000.

(b) The following share options and share purchase warrants are outstanding at December 31, 1971:

- An option, expiring January 1, 1974, to purchase 1,000 shares at a price of \$10 per share.
- An option, expiring December 31, 1975, to purchase 5,000 shares for a total consideration of \$55,000.
- Warrants, expiring December 31, 1975, giving the holders the right to purchase 10,000 shares at prices increasing from \$12 to \$15 during the term.

### 6. Transactions with directors or officers:

There is a balance of \$82,000 owing at December 31, 1971 on a mortgage loan made in 1968 to a corporation which was subsequently acquired by an officer and director of the Company. There are also mortgage balances of approximately \$250,000 (1970 - \$290,000) owing by individuals or corporations to whom directors or corporations controlled by those directors are indebted.

### 7. Subsequent event:

In January 1972 the Company was called to honour its guarantee of the bank indebtedness of a corporation controlled by a director in the amount of \$273,055, including interest. The Company holds as security shares which have a quoted market value of approximately \$200,000 and personal guarantees. This director submitted his resignation from the board in February 1972.

### 8. Net income per share:

Net income per share is based on the weighted average of shares outstanding during the year.

### 9. Income taxes:

The Company has taken advantage of the loss-carry-forward provisions of the Income Tax Act and accordingly no taxes are payable in respect of the current year.

## AUDITORS' REPORT

To the Shareholders of  
Fort Garry Trust Company:

We have examined the balance sheet of Fort Garry Trust Company as at December 31, 1971 and the statement of income and expense and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the Company as at December 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes, of which we approve, in the application of accounting principles referred to in Note 4.

Winnipeg, Manitoba  
February 28, 1972

PRICE WATERHOUSE & CO. ✓  
CHARTERED ACCOUNTANTS

**FORT GARRY TRUST**  
COMPANY  
**EQUITY INTERESTS**



**HIGHLAND PARK** – sketch of 25 unit town house project in Selkirk. This project which became available for rent in March, 1972, was developed by Bestlands Development Ltd., and financed by Central Mortgage & Housing Corporation. Fort Garry Trust Company has an equity interest in Bestlands Development Ltd.



**ST. NORBERT NURSING HOME** – photograph of 91 bed, full service nursing home in St. Norbert, Manitoba. Fort Garry Trust Company has an equity interest in this fully modern home which offers an enjoyable carefree living environment for senior citizens.



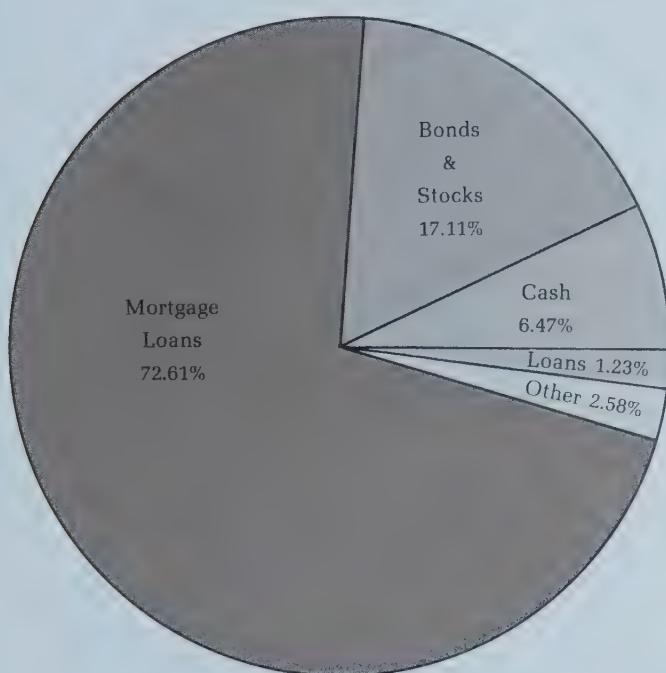
**HOUSE OF YORK** – artist's rendering of 216 unit, 23 storey luxury high-rise apartment building. This building will be constructed in 1972, by Bestlands Development Ltd., at the corner of Smith & York in downtown Winnipeg.



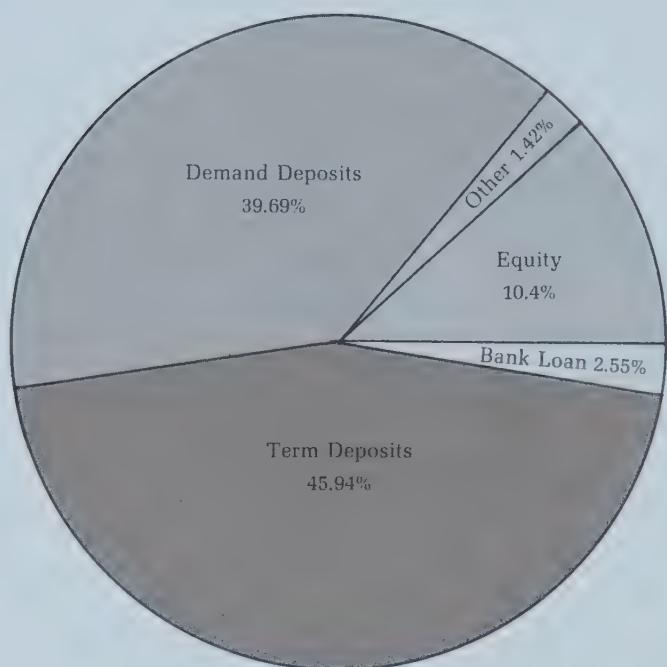
**PEMBINA PARK** – sketch of 42 unit garden court apartments under construction in Fort Garry, with completion expected June, 1972. This is another Bestlands Development Ltd. project financed by Central Mortgage & Housing Corporation.

**FORT GARRY TRUST**  
COMPANY  
**FINANCIAL HIGHLIGHTS**

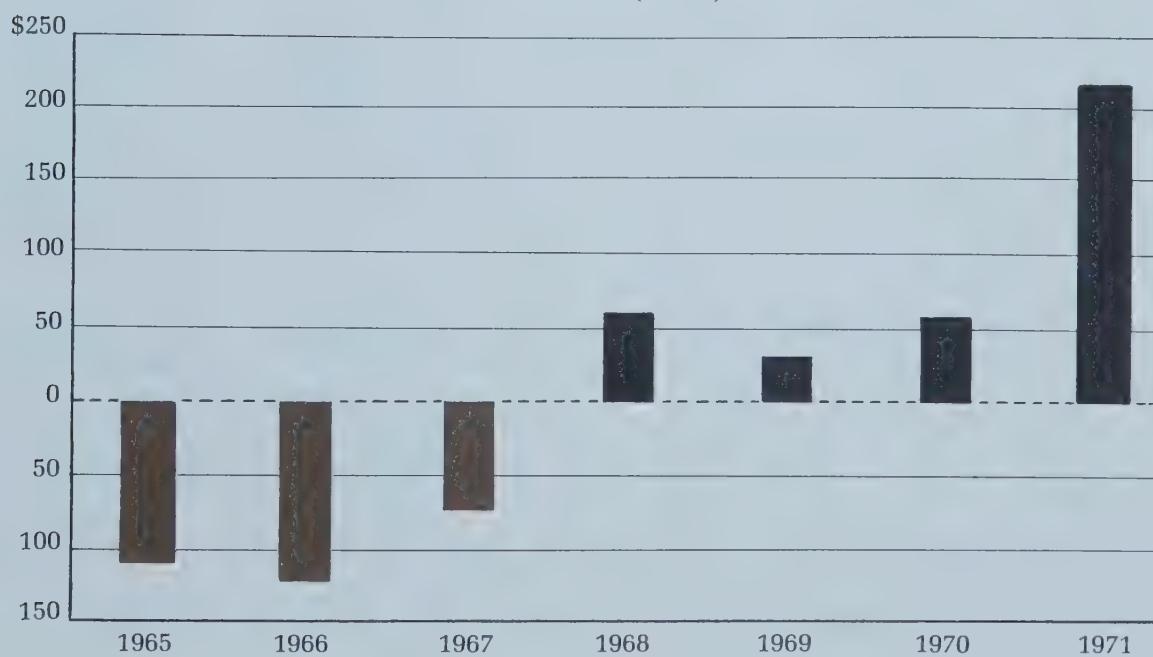
**Assets**



**Liabilities & Shareholders' Equity**



**Profits (000's)**





# FORT GARRY TRUST

COMPANY

## HEAD OFFICE and Main Branch

283 PORTAGE AVENUE  
WINNIPEG, MANITOBA

MORTGAGE MANAGER

*Gordon H. Hollands*



MARKETING MANAGER

*John A. MacDonald*



SAVINGS MANAGER

*John Palano*



ASSISTANT MORTGAGE MANAGER

*Robert J. Wilson*



## Branch Offices

ST. JAMES BRANCH  
1861 Portage and Collegiate  
*Mrs. Eileen Levasseur, Manager*



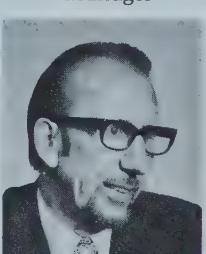
NORTH WINNIPEG BRANCH  
600 Selkirk and McGregor  
*R. Kenneth Hudson, Manager*



FORT GARRY BRANCH  
1181 Pembina Highway  
*Mrs. Ann J. Umlah, Manager*



REAL ESTATE DEPT.  
1181 Pembina Highway  
*R. V. Borlase, Manager*



## Services

SAVINGS ACCOUNTS • CHEQUING ACCOUNTS  
GUARANTEED INVESTMENT CERTIFICATES  
MORTGAGE LOANS • ESTATE ADMINISTRATION  
REAL ESTATE • PROPERTY MANAGEMENT  
INVESTMENT MANAGEMENT • STOCK TRANSFERS  
PERSONAL LOANS (agent) • SAVE-BY-MAIL  
MONEY ORDERS • TRAVELLERS CHEQUES  
DRAFTS • FOREIGN REMITTANCES  
TRAVEL BUREAU

*Mrs. A. S. Umlah  
Manager*

*R. V. Borlase  
Real Estate Dept. Mgr.*





# FORT GARRY TRUST COMPANY

## REGIONS and their Branches

### 188 PORTAGE AVENUE WINNIPEG, MANITOBA

GENERAL MANAGER  
Gordon H. Hollands

MARKETING MANAGER  
John A. MacDowell

SAVINGS MANAGER  
John Adams

ASSISTANT MORTGAGE MANAGER  
George E. Wilson



G. H. Hollands  
Manager



J. A. MacDowell  
Marketing Mgr.



J. Adams  
Savings Manager



R. J. Wilson  
Assistant Mortgage Manager

## Branch Offices

### 101 JAMES BRANCH 101 J. J. Corrigan and Collegiate Streets, Winnipeg, Manager

101 JAMES WINNIPEG BRANCH  
101 J. J. Corrigan and McGregor  
Streets, Winnipeg, Manager

101 JAMES PORTAGE BRANCH  
101 J. J. Corrigan Highway  
Mrs. Ann L. Umph, Manager

REAL ESTATE DEPT.  
101 J. J. Corrigan Highway  
R. V. Borison, Manager



Mrs. E. Lefebvre  
Manager



R. V. Borison  
Manager

## Services

DEPARTMENT OF ACCOUNTS, CHECKING ACCOUNTS  
DEPARTMENT OF PERSONAL CREDIT  
DEPARTMENT OF PERSONAL CREDIT AND ADMINISTRATION  
REAL ESTATE - LEASING, P. BAN. LEASING  
DEPARTMENT OF PERSONAL CREDIT - PERSONAL FINANCIAL  
DEPARTMENT OF PERSONAL CREDIT - PERSONAL FINANCIAL  
DEPARTMENT OF PERSONAL CREDIT - PERSONAL FINANCIAL  
DEPARTMENT OF PERSONAL CREDIT - PERSONAL FINANCIAL



Mrs. A. S. Umph  
Manager



R. V. Borison  
Real Estate Dept. Mgr.



